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THE

WATERLOO

MANUFACTURING

COMPANY, LIMITED

ANNUAL REPORT 1970

OFFICERS AND DIRECTORS
THE WATERLOO MANUFACTURING COMPANY, LIMITED

OFFICERS

F. C. TAYLOR	.	.	.	.	.	President
D. W. DAUB	.	.	.	.	.	Vice-President
B. D. TAYLOR	.	.	.	.	.	Secretary-Treasurer

DIRECTORS

F. T. CARNEGIE	L. A. KAAKE
D. W. DAUB	S. MARSLAND
W. G. DINGWALL, Q.C.	B. D. TAYLOR
J. M. HARPER, Q.C.	F. C. TAYLOR

TRANSFER AGENT

NATIONAL TRUST COMPANY, LIMITED
Toronto, Ontario



ESTABLISHED
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**THE
WATERLOO
MANUFACTURING
COMPANY, LIMITED**

263 PHILLIP STREET, WATERLOO, ONTARIO, CANADA

April 7, 1971

To the Shareholders,

THE WATERLOO MANUFACTURING COMPANY, LIMITED

Your Directors present herewith the Balance Sheet of The Waterloo Manufacturing Company, Limited as at December 31, 1970, together with Statements of Income, Retained Earnings and Source and Application of Funds for the year ended on that date, and the Auditors' Report thereon.

The Net Loss in 1970 was \$16,738., after depreciation of \$51,837., compared to a Net Profit in 1969 of \$42,366., after depreciation of \$52,970. The 1970 loss includes \$7,046. after tax, as a result of U.S. exchange losses. Loss per Common share equalled .31¢ in 1970, compared to a profit of .78¢ in 1969. (This is on the basis that no dividends are contemplated on Preference shares issued as stock dividends.

The Farm Division operated at a small profit in 1970, despite the extremely adverse marketing conditions existing throughout the year. Sales of the Deutz tractor were very encouraging, and it is expected that the addition of this line will prove to be of increasing importance in our future profit potential.

Our Boiler Division increased sales and profits in 1970, and maintained our market position, although this was only accomplished by accepting a great deal of business at very low profit margins.

Sales of the Factory Division decreased slightly, but profits were down substantially, due to the lack of business available and the consequent depressing effect on prices and profits.

Total sales increased by \$89,523. to \$2,851,128. Purchase of Fixed Assets amounted to \$1,262; Working Capital increased by \$29,530. to \$803,450., and the five-year term bank loan was retired in full.

We take this opportunity of expressing our appreciation to our staff for their loyalty and co-operation.

Respectfully submitted on behalf of the Board of Directors.

F. C. TAYLOR,
President.

THE WATERLOO MANUFACTURING COMPANY
(Incorporated under the laws of the Province of Ontario)

BALANCE SHEET
(with comparative figures for 1969)

ASSETS

	1970	1969
CURRENT ASSETS		
Cash	\$ 131,352	
Short term investments	100,000	\$ 446,228
Marketable securities, at cost (market value 1970, \$5,532; 1969, \$6,468)	6,453	6,500
Accounts and notes receivable	267,217	350,477
Income and other taxes recoverable	20,673	
Inventories (note 1)	589,862	615,479
Prepaid expenses	9,772	8,191
	<u>1,125,329</u>	<u>1,426,875</u>
FIXED ASSETS, at cost		
Land, roads and improvements	68,912	68,912
Buildings	702,497	702,497
Machinery and equipment	907,380	906,508
	<u>1,678,789</u>	<u>1,677,917</u>
Less accumulated depreciation	1,001,112	949,665
	<u>677,677</u>	<u>728,252</u>
	<u><u>\$ 1,803,006</u></u>	<u><u>\$ 2,155,127</u></u>

Approved by the Board:

F. C. TAYLOR, Director
J. M. HARPER, Director

ING COMPANY, LIMITED
(Incorporated in the laws of Canada)

DECEMBER 31, 1970
(at December 31, 1969)

LIABILITIES

	1970	1969
CURRENT LIABILITIES		
Bank advances		\$ 171,508
Term bank loan		50,000
Accounts payable and accrued liabilities	\$ 321,879	416,314
Income and other taxes payable		15,133
	<u>321,879</u>	<u>652,955</u>
DEFERRED INCOME TAXES	68,728	73,035
	<u>68,728</u>	<u>73,035</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK

Authorized

1,000,000 4% Non-cumulative preference shares,
redeemable at par value of \$1 each of
which 160,762.75 issued shares have
been redeemed

69,280 Common shares without par value

Issued

823,510 Preference shares	823,510	823,510
54,005 Common shares	398,006	398,006
	<u>1,221,516</u>	<u>1,221,516</u>
RETAINED EARNINGS (note 2)	190,883	207,621
	<u>1,412,399</u>	<u>1,429,137</u>
	<u>\$ 1,803,006</u>	<u>\$ 2,155,127</u>

THE WATERLOO MANUFACTURING COMPANY, LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEAR ENDED DECEMBER 31, 1970

(with comparative figures for 1969)

	1970	1969
SOURCE OF FUNDS		
Operations		
Net income (loss) for the year	\$ (16,738)	\$ 42,366
Items not involving current funds		
Depreciation	51,837	52,970
Deferred income taxes	(4,307)	(2,797)
	<u>30,792</u>	<u>92,539</u>
Sale of fixed assets		201
Special refundable tax		867
	<u>30,792</u>	<u>93,607</u>
APPLICATION OF FUNDS		
Additions to fixed assets	1,262	2,161
Redemption of preference shares		40,570
Principal on term bank loan reclassified in current liabilities		50,000
	<u>1,262</u>	<u>92,731</u>
INCREASE IN WORKING CAPITAL	29,530	876
WORKING CAPITAL AT BEGINNING OF YEAR	773,920	773,044
WORKING CAPITAL AT END OF YEAR	<u>\$ 803,450</u>	<u>\$ 773,920</u>

THE WATERLOO MANUFACTURING COMPANY, LIMITED

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1970

1. INVENTORIES

	1970	1969
Purchase for resale, at lower of cost and replacement cost _____	\$ 461,194	\$ 473,617
Work in process, at estimated cost _____	84,072	102,572
Raw materials, at lower of cost and replacement cost _____	44,596	39,290
	<u>\$ 589,862</u>	<u>\$ 615,479</u>

2. RETAINED EARNINGS

The retained earnings at the end of 1969 and 1970 includes \$160,763 set aside as capital surplus on the redemption of preference shares. As a result of a reorganization in 1939 by which the deficit at that time was eliminated, no portion of retained earnings is taxable undistributed income as defined by the Income Tax Act.

3. STATUTORY INFORMATION

The company has eight directors and their aggregate remuneration as directors was \$3,000. The company has three officers and their aggregate remuneration as officers was \$64,623. All three officers are also directors.

